THE LARGEST BUDGET SURPLUS IN HISTORY AND THE LARGEST DEBT PAY DOWN IN HISTORY

October 27, 1999

Today, the Office of Management and Budget and the Department of the Treasury Announced the Largest Budget Surplus in History and the Largest Pay Down of Debt in History. In 1993, President Clinton put in place a three-part economic strategy of fiscal discipline, investing in people, and opening markets abroad. The latest data provide even more evidence that this strategy is working:

- ✔ Last year's unified budget surplus was $123 billion, the largest surplus ever.
- ✔ America has paid down $140 billion in debt held by the public over the last two years, the largest debt pay down ever.
- ✔ The debt at the end of FY 1999 was $1.7 trillion lower than it was projected to be when the President took office.
- ✔ Under the President's budget, we will pay off the debt held by the public by 2015.

THE LARGEST SURPLUS EVER

- **Largest dollar surplus ever, even after adjusting for inflation.** The $123 billion surplus in 1999 is the largest dollar surplus in American history, breaking the record $69 billion surplus last year. Even after adjusting for inflation, it is still the largest surplus in American history.

- **Largest surplus as a share of the economy since 1951**. The surplus is expected to be about 1.4 percent of GDP – the largest surplus as a share of GDP since 1951.

- **The first back-to-back surpluses since 1956-57.** The 1999 surplus of $123 billion is the second year in a row of surplus, following a $69 billion surplus in 1998. The last time the Nation had budget surpluses in two consecutive years was in 1956-57.

- **Seven years in a row of fiscal improvement -- the first time in U.S. history.** Achieving a larger surplus in 1999 than in 1998 marks the seventh consecutive year of improved fiscal balance – extending what was already the longest period of sustained fiscal improvement in American history.

LARGEST DEBT REDUCTION EVER

- **Paying down $140 billion of debt held by the public over the last two years.** In 1999, debt held by the public was reduced by $88 billion, which follows the $51 billion debt reduction in 1998, and brings the two-year total up to $140 billion.

- **In 1992 the deficit was $290 billion and projected to rise to more than $400 billion this year.** In 1993, the deficit was projected to reach $429 billion in 1999. Instead the budget is actually in *surplus* by $123 billion. *This is a $552 billion improvement in 1999 alone.*

- **The debt held by the public is $1.7 trillion lower than was projected when the President took office**. In 1993, the debt held by the public was projected to balloon to $5.4 trillion by 1999, reaching 63 percent of GDP. Instead, shrinking deficits and surpluses in the last two years have brought the debt down to $3.6 trillion, which is only about 41 percent of GDP.

- **As a result, interest payments on the debt were $91 billion lower than projected.** In 1993, the net interest payments on the debt held by the public were projected to grow to $321 billion in 1999. Fiscal discipline has slashed this figure by $91 billion.

SPENDING RESTRAINT HELPED USHER IN AN ERA OF SURPLUSES

- **Federal spending smallest share of economy since 1974.** The spending restraint under President Clinton has brought spending down from 22.5 percent of GDP in 1992 to 19.3 percent of GDP in 1999 – the lowest in a quarter century. *In fact, Federal spending as a percentage of the economy has been lower in every year for which President Clinton submitted a budget than it was for any year under either of the two preceding Administrations.* At the same time, President Clinton has increased investments in education, technology and other areas that are vital to growth.

- **Discretionary spending <u>down</u> under President Clinton and <u>up</u> under the previous two Administrations.** Real discretionary spending has *fallen* by more than ½ percent per year under President Clinton; from 1980 to 1992, real discretionary spending *increased* 1.0 percent per year.

WHAT FISCAL DISCIPLINE MEANS FOR AMERICA

- **Lower interest rates cut mortgage payments by $2,000 for families with a $100,000 mortgage**. Because of the policy of deficit and debt reduction, it is estimated that a family with a home mortgage of $100,000 might expect to save roughly $2,000 per year in mortgage payments – effectively a large tax cut.

- **Lower interest rates cut car payments by $200 for families with a car loan.**

- **Lower interest rates cut student loan payments by $200 for a person with a typical student loan.**

- **Lower debt will help maintain strong economic growth**. With the government no longer draining resources out of capital markets, businesses have more funds for productive investment. This has helped to fuel a 12 percent real annual increase in producers' durable equipment investment since 1993 – the sixth year in a row of double digit growth. This compares to 3 percent annual growth from 1981-92, a period that saw the debt held by the public quadruple.

- **Rising investment has contributed to an increase in productivity**. Non-farm business productivity has grown at a 2.1 percent average annual rate for the last four years and 2.8 percent over the last year. This compares to 1¼ percent growth from the 1970s through the early 1990s.

Under the President's Framework to Strengthen Social Security and Medicare, the Debt Held by the Public Is Projected to be <u>Eliminated</u> by 2015.

- **Interest payments would be eliminated**. Currently we spend about 14 cents of every Federal dollar on interest payments. These payments, which were once projected to grow to 28 percent of all federal spending in 2015, would be eliminated under the President's plan.

- **Prepare for the retiring baby boomers**. Paying off the debt will create room in the budget for the increased Social Security and Medicare costs of the baby boomers. It will also free up funds for investment, help keep interest rates low, and boost workers' productivity and incomes. This fiscal discipline is the best way to prepare the government, and the Nation, to meet the challenge of the retirement of the baby boom generation.